

MEMORANDUM

NATIONAL SECURITY COUNCIL ACTION

6066X

August 9, 1972

MEMORANDUM FOR:

DR. KISSINGER

FROM:

HAROLD H. SAUNDERS

SUBJECT:

Our Relationship with Libya

The purpose of this memorandum is to share with you an inside view of the situation in Libya as it may affect our oil companies there over the next month or so. Those companies live under the constant threat of cutbacks in their production, and now we have reports that the government is planning to nationalize three of them on September 1, the anniversary of the Libyan revolution. The US government has been brought into this situation -- ostensibly because of our arms policy toward Libya but actually because of our policy toward the Arab-Israel problem.

The event which led to the present situation took place in mid-June when Libyan oil negotiator and now Prime Minister Jallud called in the heads of the oil companies doing business in Libya and told them that their position is jeopardized because of the US government policy of refusing to provide arms to Libya. He exaggerated in describing Libyan requests to the US which he said had been turned down, but as you know there are still 8 F-5 aircraft dating from a commitment made prior to Qadhafi's takeover which have never been delivered. We agreed to sell them at a time when we were working with the Libyan air force as a means of holding our position at Wheelus Airbase. After the revolutionary command deposed King Idris, we held the remaining eight aircraft under that contract "under review," and that is still their status. Another dimension of this problem for the future is that the Libyans have ordered 8 C-130s through commercial channels for delivery next year, and the issue of licensing them will come up at some point.

The situation within Libya provides the reason why we have been as reluctant to say "no" as we have to say "yes" on the F-5s. We have

File Libya

I think we
should
consider
releasing them.

How
would
we
proceed?

[REDACTED]

not said "yes" because of the problem of appearing to support the radical Libyan regime. However, among those people working most closely with Dick Helms on this problem there is a view that failure to release those planes is a major irritant. They feel that whatever moderation exists in Libya today -- particularly toward our oil companies -- is the work of one very strong faction headed by Al Houni, who is the Minister of the Interior and the head of the intelligence and security services. He is third in power to Qadhafi, although he lacks Qadhafi's charisma and does not have a popular base. He does have a substantial in-government following among those who feel that Libya should maintain its relationships with Western Europe and the US. It is CIA's judgment that Qadhafi's more radical instincts would dominate if it were not for Al Houni and his faction.

Here is where the aircraft come in. Apparently Al Houni has argued [REDACTED] that the issue is not so much the aircraft in themselves because the Libyans have more than they can handle in the French Mirages but the fact that the US appears to be applying some sort of double standard to Libya by refusing to honor a previous contract. Al Houni points out that the nationalization of British petroleum interests in Libya was the result of a flash reaction to British arms policy. He feels the same could happen to the US companies.

No one argues that fulfilling the terms of the original contract would buy us a significantly different situation in Libya. Our basic problem is that we are dealing with a government that has no time for us because of our Arab-Israeli policy. Libyan attitudes toward us are not likely to change until the Arab-Israeli situation changes, if then. However, one school of thought argues that releasing the aircraft would remove the one specific bilateral bone of contention between our governments. There would be plenty of continuing issues in the Arab-Israeli dispute, but there would be no remaining bilateral evidence that the US was somehow treating Libya differently. The oil companies have not pressed us to release those aircraft, but if some of them are nationalized after the approach that has been made to them on pressing our government to change its arms policy, there will be some room for criticism.

This is one of those situations where there seems to be no answer. It is difficult to see us releasing even 8 F-5s to Libya now -- and equally difficult to believe that it would change the Libyan attitude toward us significantly. At the same time, it is not difficult to see further moves against the oil companies, although that is not certain in the immediate future.

[REDACTED]

[REDACTED]

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The only steps one can envision in this situation are small and may not do much good. [REDACTED]

The purpose of this memo is to check the above views against yours.
The main question I would put to you for my own guidance is: Do you
sense such potential pressure from the oil companies as to warrant
serious consideration of releasing at least a couple of the 8 F-5s now
with a tentative promise to release the rest next year?